

Frequently Asked Questions and Answers About

Section 3 of the Housing & Urban Development Act of 1968

General Section 3 program information

What is Section 3?

Section 3 is a provision of the Housing and Urban Development Act of 1968, which recognizes that HUD funds are typically one of the largest sources of federal funding expended in communities through the form of grants, loans, entitlement allocations and other forms of financial assistance. Section 3 is intended to ensure that when employment or contracting opportunities are generated because a covered project or activity necessitates the employment of additional persons or the awarding of contracts for work, preference must be given to low- and very low-income persons or business concerns residing in the community where the project is located.

What does the term “Section 3 resident” mean?

A “section 3 resident” is: 1) a public housing resident; or 2) a low- or very low-income person residing in the metropolitan area or Non-metropolitan county in which the Section 3 covered assistance is expended.

What does the term Section 3 Business Concern mean?

Section 3 business concerns are businesses that can provide evidence that they meet one of the following:

- ☐ 51 percent or more owned by Section 3 residents; **or**
- ☐ At least 30 percent of its full time employees include persons that are currently Section 3 residents, or within three years of the date of first employment with the business concern were Section 3 residents;

or

- ☐ Commitment to subcontract in excess of 25% of the dollar award of all subcontracts to be awarded to business concerns that meet the qualifications in the above two paragraphs.

How does Section 3 differ from the Minority Business Enterprise/Women Business Enterprise programs?

Section 3 is both race and gender neutral. The preferences provided under this regulation are based on income-level and location. The Section 3 regulations were designed to encourage recipients of HUD funding to direct new employment and contracting opportunities to low-income residents, and the businesses that employ these persons, within their community regardless of race and/or gender.

You may contact HUD's Office of Small and Disadvantaged Business Utilization at 202-708-1428, to learn more about these programs.

How is "low-income" Person(s) determined?

The term "low-income" is used in the Section 3 regulation to include both low- and very low-income individuals. Local income levels can be obtained online at: <http://www.huduser.org/DATASETS/il.html>.

How "metropolitan area" and "Non-metropolitan County."

Metropolitan area means a metropolitan statistical area (MSA), as established by the Office of Management and Budget. Non-metropolitan County means any county outside of a metropolitan area.
(See chart)

Constituents can enter their zip code on our website in the right hand corner to determine if it is in our covered area.

www.houstontx.gov

Who is a “new hire”?

A new hire means a full-time employee for a new permanent, temporary, or seasonal position that is created during the expenditure of Section 3 covered financial assistance.

What is a Section 3 covered project?

A Section 3 covered project involves the construction or rehabilitation of housing (including reduction of lead-based paint hazards), or other public construction such as street repair, sewage line repair or installation, updates to building facades, etc.

Who is considered a recipient of Section 3 funding?

An entity which receives Section 3 covered assistance, directly from HUD or from another government entity.

Is a non-profit organization considered a “business” for the purposes of Section 3?

Yes. A non-profit organization is a legitimate business. The non-profit organization must meet the criteria of a Section 3 business concern as defined in 24 CFR Part 135.5 in order to receive Section 3 preference.

What is a Service Area?

The Service area is the geographical area in which the qualified persons benefiting from the Section 3 covered project reside. The Service Area shall not extend beyond the unit of local government in which the Section 3 covered financial assistance is expended.

What are funding thresholds and how do they apply to Section 3 covered financial assistance?

Funding thresholds are minimum dollar amounts that trigger Section 3 requirements. There are **no thresholds for Public Housing Authorities PHAs**). The requirements of Section 3 apply to all PHAs regardless of the amount of assistance received from HUD.

The requirements of Section 3 apply to recipients of Housing and Community development assistance that invest \$200,000 or more into projects/activities involving housing constructions, rehabilitations, or other public constructions.

What is the dollar threshold amount for contractors and subcontractors?

All contracts or subcontracts funded with Public and Indian Housing assistance (regardless of the dollar amount or the type of contract) is subject to the requirements of Section 3.

With respect to recipients of Housing and/or Community Development funding, all contractors or subcontractors receiving funds in excess of \$100,000 involving housing construction, rehabilitation, or other public construction are to comply with the requirements of Section 3.

SECTION 3 COMPLAINTS

Who can file a complaint when the requirements of Section 3 are not met?

Any Section 3 resident or Section 3 business or authorized representative seeking employment, training or contracting opportunities generated by Section 3 covered assistance may file a complaint using *form HUD 958. 14*

Where are Section 3 complaints filed?

Effective November 2007, Section 3 complaints must be filed at the appropriate Fair Housing and Equal Opportunity's Regional Office in which the violation occurred. Please visit www.hud.gov/offices/fheo to obtain the address and telephone number for FHEO regional offices.

Is there a time limit for filing a Section 3 complaint?

Yes. Section 3 complaints must be filed no later than 180 days from the date of the action or omission upon which the complaint is based on.

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GENERAL QUESTIONS

1. What is the neighborhood area of Section 3 funded projects?

The eligible purpose of Section 3 regulations is that new employment opportunities be extended to low and very low income residents of the area where the project is being implemented. The eligible area for certified residents and Business Concerns is the Houston/Metropolitan area. A low- or very low-income person residing in the Houston/metropolitan area.

2. Where do I submit the Section 3 application? Is the Section 3 application called a Statement of Qualifications?

Yes. The completed application is returned to our office, 601 Sawyer, 4th floor or it can be mailed.

3. How long does the processing take?

If the Statement of Qualifications is complete and submitted, it may take about 8 – 10 business days to process.

4. What is the Occupational Certification?

The Occupational Certification serves as our Occupancy permit. HCDD does not require this submission; disregard.

5. Is insurance required at the time of submission?

No. However once a contract is awarded, insurance is required.

6. I want to become apart of the Section 3 program. What does it take?

Section 3 generates new hires for Employment and Contracting opportunities for very-low to low income households within the Houston/Metropolitan area. If you have a small business or are seeking employment in construction/rehabilitation, Section 3 can assist.

7. My business is in Katy, Conroe, or one of the surrounding areas, is the business eligible for Section 3?

No. Eligible businesses and certified residents must be located within the Houston/Metropolitan area. Here is a quick check method – enter your zip code at our website in the right hand corner, search and if you're in our area the data will display.

www.houstontx.gov